

January 2023

ENERGY DIVISION RATE CHANGE ADVISORY



Pacific Gas & Electric (PG&E) Gas Service – PG&E filed their annual gas true-up (AGT)¹ advice letter on December 23, 2022, consolidating all CPUC-authorized changes to the revenue the utility needs to operate and the corresponding changes to gas transportation rates customers pay, effective January 1, 2023. The Consolidated AGT Advice Letter (AL) reflects a net decrease of \$280.5 million in revenues that PG&E is authorized to collect for gas transportation services (not including commodity costs determined separately in the unregulated gas market). The change is mainly due to a \$60.9 million increase in Gas Public Purpose Program (PPP) Surcharges and a \$341.4 million decrease in End-Use Gas Transportation, including Green House Gas (GHG) program costs. The GHG program costs will be partially offset when PG&E residential non-CARE and CARE customers receive the GHG climate credit in April 2023.

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The percentage decreases in the table below are total bill impacts based on annual averages (January to December 2022), including both annual average commodity prices (held constant to calculate the isolated impact of these transportation and delivery rate increases) as well as annual average customer demand.

Estimated average residential bill impacts effective January 1, 2023:

Estimated Bill Impact ² – Consolidated Rate Update	PG&E Jan 1, 2023
➤ Average monthly residential non-CARE gas bill	\$70.10 ³
➤ Average monthly residential non-CARE gas bill decrease ⁴	(\$5.99) or (7.9%)
➤ Average monthly residential CARE gas bill	\$55.27 ⁵
➤ Average monthly residential CARE gas bill decrease ⁶	(\$4.88) or (8.1%)

¹ PG&E filed AL 4693-G on December 23, 2022 and is pending approval.

² The bill impacts include updated gas PPP surcharge rates: PG&E AL 4519-G

³ Bill estimate assumes an average monthly consumption of 32 therms/month for non-CARE, and an average annual procurement rate of \$0.74594/therm for Jan-23.

⁴ The change is in comparison to the monthly 2022 bill based on average procurement and consumption.

⁵ Bill estimate assumes an average monthly consumption of 32 therms/month for CARE, and an average annual procurement rate of \$0.74594/therm for Jan-23.

⁶ Same as Footnote 4.

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The bill estimates based on the actual commodity price can be higher than the average bills listed above. Gas commodity prices this winter will be much more expensive than last winter, potentially 80% more on a per therm basis, which will lead to higher increases in customer bills over the winter months.⁷ The price of natural gas is determined by broader regional and national markets, impacted globally, and passed on directly to customers without any markup or profit to the utility. The procurement rate increased from 76.338 cents per therm in January 2022 to 137.062 cents per therm in January 2023. The bill in the table⁸ below compares the total bill impacts based on actual January 2023 commodity prices with the actual January 2022 commodity price. The winter per month usage is generally higher than average annual per month usage.

Actual Residential Bill Impacts January 1, 2022 vs January 1, 2023			
January 1, 2022		January 1, 2023	
PG&E Residential CARE (based on 56 therms/mo.)	\$104.60	PG&E Residential CARE (based on 59 therms/mo.)	\$136.29
PG&E Residential Non-Care (based on 64 therms/mo.)	\$151.20	PG&E Residential Non-Care (based on 67 therms/mo.)	\$195.56

PG&E's AGT AL filing consolidates several previously approved advice letters and decisions that reflect authorized gas revenue and rate changes. Certain key drivers are estimated as follows:

- GRC Distribution Base Revenue Adjustment (including cost of capital): \$81.0 million decrease – D.20-12-005
- Annual Regulatory Account Balance Update: \$251.4 million decrease – AL 4693-G⁹

⁷ General volatility in the natural gas market resulting in seasonal high prices is caused by expanding global demand with supply being unable to keep up with the demand.

⁸ PG&E provided estimated January bill impacts to Energy Division on December 22, 2022.

⁹ PG&E's regulatory account balance updates include revenue requirement adjustments of year-end regulatory account balances for core and non-core customers: Core Fixed Cost Account (CFCA), Noncore Customer Class Charge Account (NCA), Assembly Bill 32 Cost of Implementation Fee (AB32), Core Brokerage Fee Balancing Account (CBFBA), Hazardous Substance Mechanism (HSM), Balancing Charge Account (BCA), Customer Energy Efficiency Incentive Account (CEEIA), California Solar Initiative Thermal Program Memorandum Account (CSITPMA), Adjustment Mechanism for Costs Determined in Other Proceedings (AMCDOP), Non-Tariffed Products and Services Balancing Account (NTBA-G), Gas Pipeline Expense and Capital Balancing Account (GPECBA), New Environmental Regulations Balancing Account (NERBA), Pension Contribution Balancing Account (PCBA), Gas Transmission & Storage Revenue Sharing Mechanism (GTSRSM), Risk Transfer Balancing Account (RTBA), Residential Uncollectible Balancing Account (RUBA), GT&S Balancing Accounts, and Mobile Home Park Balancing Account – Gas (MHPBA).

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- Gas PPP Surcharges: \$60.9 million increase – AL 4519-G¹⁰

The following recently approved decisions that impact the gas transportation revenues are captured in the Annual Regulatory Account Balance Update:

- Application for Rehearing of the 2019 Gas Transmission & Storage Decision – D.19-09-025, D.21-11-036, AL 4162-G, and AL 4544-G
 - \$17.0 million increase recorded to the Adjustment Mechanism for Costs Determined in Other Proceedings (AMCDOP)
- Adjustments to Revenue Requirements to Comply with Internal Revenue Service (IRS) Private Letter Rulings¹¹ – D.19-08-023, D.19-08-021, D.20-12-005, and AL 4579-G
 - \$3.6 million increase recorded to AMCDOP
 - \$7.4 million decrease recorded to Core Fixed Cost Account (CFCA) and Noncore Customer Class Charge Account (NCA)
- 2023 Cost of Capital – D.22-12-031
 - \$10.1 million increase recorded to CFCA and NCA
 - \$6.7 million increase recorded to AMCDOP
- Wildfire Mitigation Balancing Account (WMBA) Gas – D.20-12-005 and AL 4657-G
 - \$1.8 million increase recorded to AMCDOP
 - \$0.9 million increase recorded to CFCA and NCA

¹⁰ PG&E updates the natural gas PPP surcharge rates for Energy Efficiency (EE), Energy Savings Assistance (ESA), California Alternative Rates for Energy (CARE), Research, Demonstration and Development (RD&D), and Board of Equalization (BOE) administrative costs.

¹¹ PG&E is adjusting the revenue requirement to include or exclude certain costs from the Average Rate Assumption Method (ARAM) calculation to be consistent with the IRS's tax normalization rules.